

EXHIBIT 1
DATE 3/25/11
HB 640

**LC 0756.01 House Bill 640
Need for Moratorium on Tax Lien Sales
Public Testimony
Patty Lovaas**

This testimony is for the public record.

I have asked Representative Gordon Hendrick for this bill to temporarily put a moratorium on MC 15-17-124 which states:

15-17-124. Irregular assessment. If the county treasurer discovers, prior to the tax lien sale, that property on which the taxes are delinquent has been irregularly assessed, the county treasurer may not offer the property or a property tax lien for sale. The taxes on the property must be listed on the property tax record as uncollected for the year in which they were due, and they must be assessed and collected during the succeeding year as taxes are regularly assessed and collected.

The reason for the legislature to take this action is based on the alleged illegalities of the 2009 property appraisal. When it is determined that the 2009 property appraisal was irregularly assessed, the repercussions could have a devastating effect on property owners and the State should the counties enforce the above law. People will be kicked out of there home or business, Class 4 properties. Mobile home property owners only have a one year window before sold for unpaid taxes, which has already occurred in Missoula County. I attempted to file an injunction in conjunction with my lawsuit to stop it, but was unsuccessful.

There are four legal actions in process that I am aware of, two of which I have personally filed. One is a State Supreme Court case, a declaratory judgment challenging the legality of the assessment. The other is a writ of mandamus, requiring the Secretary of State to issue a petition against the Governor for official misconduct. There are two other active declaratory judgments alleging the illegality and there are two other possible actions in process in Flathead County.

The allegations are supported by over 50,000 documents of evidence of the impropriety claim. The amount of illegally collected property tax as a result of these acts is estimated to be over \$252 million.

At a County Tax Appeal Board hearing just this week, DOR employees confirmed my allegations. Sworn testimony by DOR employees at these hearings revealed:

- 1). Beginning values (2003 values) were altered. It was also confirmed this changed the 2009 values.**
- 2). Mobile homes depreciation schedules were the same as other buildings, 35 years. Along with other factors used to value mobile homes, this increased values by 4 times the actual market value for mobile homes.**
- 3). Commercial neighborhoods were combined and valued at the prime retail corridor locations in the 2009 appraisal, contrary to the 2003 appraisal.**
- 4). DOR appraisers were instructed by the Helena to cut off sales data to value property after 2006, the height of the bubble.**

Conclusion

Without this moratorium

- 1). Property owners will be removed from their Class 4 properties on an illegal tax per the provisions of MCA 15-17-124.**
- 2). The State could face further lawsuits by those affected if any of the above legal actions are successful.**

I would request that this moratorium remain in place until after the next legislative session in 2013 to give time for all of the legal challenges to the 2009 appraisal reach a conclusion.

The property owners are continuing there disapproval. For 2010, the unpaid property taxes in Missoula County is \$2.9 million for the first half. The protested taxes for 2010 is over \$1 million, higher than the 2009 protested amount. After May's payment date, this is anticipated to be approximately \$8 million in Missoula County alone of unpaid or contested property taxes if this trend continues.

The peoples' representatives, the legislature, should take action to protect Montana's property owners from any irreversible negative actions by public officials.